

FIFE LAKE TOWNSHIP  
GRAND TRAVERSE COUNTY, MICHIGAN

REPORT ON FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Fife Lake Township</b>	County <b>Grand Traverse</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>12/27/05</b>	Date Accountant Report Submitted to State: <b>12/31/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

**RECEIVED**  
DEPT. OF TREASURY

**JAN 04 2006**

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

**LOCAL AUDIT & FINANCE DIV.**

You must check the applicable box for each item below.

- ☒ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) <b>Barry E. Gaudette, CPA, PC</b>			
Street Address <b>1107 E. Eighth Street</b>		City <b>Traverse City</b>	State <b>MI</b>
Accountant Signature <i>Barry E. Gaudette</i>		ZIP <b>49686</b>	Date <b>12/31/05</b>

## TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
List of Elected Officials	1
FINANCIAL SECTION	
Independent Auditor's Report	2-3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	4
Statement of Activities	5
Fund Financial Statements:	
Balance Sheet - Governmental Funds	6
Reconciliation of the Governmental Funds	
Balance Sheet With the Statement of Net Assets	7
Statement of Revenues, Expenditures and	
Changes in Fund Balances - Governmental	
Funds	8
Reconciliation of the Statement of Revenues,	
Expenditures, and Changes in Fund Balances	
of Governmental Funds To the Statement of	
Activities	9
Statement of Revenues, Expenditures, and Changes	
in Fund Balances - Budget and Actual - General	10-12
Statement of Fiduciary Net Assets - Fiduciary	
Funds	13
Statement of Changes in Fiduciary Net Assets	
- Fiduciary Funds	14
Notes to financial statements	15-24
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet - Nonmajor Governmental	
Funds	25
Combining Statement of Revenues, Expenditures and	
Changes in Fund Balances - Nonmajor Governmental	
Funds	26
COMMENTS AND RECOMMENDATIONS	27-28

INTRODUCTORY SECTION

FIFE LAKE TOWNSHIP  
LIST OF ELECTED OFFICIALS  
JUNE 30, 2005  
=====

ELECTED OFFICIALS

Marianne (Toni) Larson

Supervisor

Susan E. Chastney

Clerk

Cathy Broering

Treasurer

Aloysius (Al) Cwalina

Trustee

Elizabeth Ingersoll

Trustee

FINANCIAL SECTION

### INDEPENDENT AUDITORS' REPORT

Members of the Township Board  
Fife Lake Township  
Grand Traverse County, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fife Lake Township, Grand Traverse County, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the basic financial statements of the Township's primary government as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

The basic financial statements referred to above include only the primary government of the Township, which consists of all funds that comprise the Township's legal entity. The financial statements do not include financial data for the Township's legally separate component unit, the Fife Lake Fire Department, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Township's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Fife Lake Township, Grand Traverse County, Michigan, as of June 30, 2005, in conformity with accounting principles generally accepted in the United States of America.

Fife Lake Township  
Independent Auditors' Report  
Page Two

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the primary government of the Fife Lake Township, Grand Traverse County, Michigan, as of June 30, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note IV(C), the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended and interpreted, as of June 30, 2005.

Fife Lake Township has not presented a management discussion and analysis that the Governmental Accounting Standards Board has determined necessary to supplement, although not required to be part of, the basic financial statements.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fife Lake Township's, Grand Traverse County, Michigan's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on it.

*Barry E. Tardiff, CPA, PC*

December 27, 2005

BASIC FINANCIAL STATEMENTS

Fife Lake Township  
Statement of Net Assets  
June 30, 2005

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 180,750
Prepaid insurance	1,040
Due from other funds	235
Capital assets (net of accumulated depreciation):	
Land and improvements	61,000
Buildings and improvements	91,436
Fire equipment	68,573
Cemetery improvements	13,394
Office equipment	<u>15,542</u>
Total assets	<u>431,970</u>
<b>LIABILITIES</b>	
Accounts payable	3,811
Accrued liabilities	<u>2,222</u>
Total liabilities	<u>6,033</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	249,945
Unrestricted	<u>175,992</u>
Total net assets	<u>\$ 425,937</u>

See notes to financial statements

Fife Lake Township  
Statement of Activities  
For the Year Ended June 30, 2005

<u>Functions /Programs</u>	<u>Program Revenues</u>		
	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
	<u>Expenses</u>		
Governmental activities:			
Legislative	\$ 36,666	\$	\$
General			
Government	98,496	1,800	3,053
Public safety	91,501		
Public works	6,603		
Community/ economic development	27,861	19,989	6,660
Parks & recreation	2,794		
Special item	<u>37,619</u>		
Total governmental activities	<u>\$ 301,540</u>	<u>\$ 21,789</u>	<u>\$ 9,713</u>

General revenues:

Property taxes & administrative fees  
State aid  
Interest earnings  
Rentals  
Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements.

Net (Expense)  
Revenue and  
Changes in  
Net Assets

Governmental  
Activities

\$ ( 36,666)

( 93,643)

( 91,501)

( 6,603)

( 1,212)

( 2,794)

( 37,619)

( 270,038)

151,639

78,159

3,010

6,025

1,405

240,238

( 29,800)

455,734

\$ 425,937

Fife Lake Township  
Balance Sheet  
Governmental Funds  
June 30, 2005

	<u>General</u>	<u>Police</u>	<u>Fire</u>	<u>Ambulance</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 132,401	\$ 23,809	\$ 21,518	\$ 35
Prepaid insurance	1,040			
Due from other funds	<u>235</u>	<u></u>	<u></u>	<u></u>
Total assets	<u>\$ 133,676</u>	<u>\$ 23,809</u>	<u>\$ 21,518</u>	<u>\$ 35</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 3,811	\$	\$	\$
Accrued liabilities	<u>2,222</u>	<u></u>	<u></u>	<u></u>
Total liabilities	<u>6,033</u>	<u></u>	<u></u>	<u></u>
Fund balances:				
Unreserved, reported in:				
General fund	127,643			
Special revenue funds	<u></u>	<u>23,809</u>	<u>21,518</u>	<u>35</u>
Total fund balances	<u>127,643</u>	<u>23,809</u>	<u>21,518</u>	<u>35</u>
Total Liabilities and Fund Balances	<u>\$ 133,676</u>	<u>\$ 23,809</u>	<u>\$ 21,518</u>	<u>\$ 35</u>

See notes to financial statements

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
---	---

\$ 2,987	\$ 180,750 1,040
----------	---------------------

	<u>235</u>
--	------------

<u>\$ 2,987</u>	<u>\$ 182,025</u>
-----------------	-------------------

\$	\$ 3,811 <u>2,222</u>
----	--------------------------

	<u>6,033</u>
--	--------------

	127,643
<u>2,987</u>	<u>48,349</u>

<u>2,987</u>	<u>175,992</u>
--------------	----------------

<u>\$ 2,987</u>	<u>\$ 182,025</u>
-----------------	-------------------

Fife Lake Township  
Reconciliation of the Governmental Funds  
Balance Sheet  
With the Statement of Net Assets  
June 30, 2005

Amounts reported for governmental activities in the  
statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 175,992
---	------------

Capital assets used in governmental activities  
are not financial resources and therefore are  
not reported as assets in governmental funds:

Cost of capital assets	460,446
Accumulated depreciation	<u>( 210,501)</u>

Total Net Assets - Governmental Activities	<u>\$ 425,937</u>
--	-------------------

See notes to financial statements

**Fife Lake Township**  
**Statement of Revenues, Expenditures, and Changes**  
**In Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2005**

	<u>General</u>	<u>Police</u>	<u>Fire</u>	<u>Ambulance</u>
<b>REVENUES</b>				
Taxes & adm. fees	\$ 45,646	\$ 35,331	\$ 35,331	\$ 35,331
Licenses & permits	17,989			
State aid	81,212			
Contributions from				
local units	6,660			
Charges for services	2,000			
Interest earnings	2,386	177	260	64
Rents	6,025			
Miscellaneous	1,805			
Total revenues	<u>163,723</u>	<u>35,508</u>	<u>35,591</u>	<u>35,395</u>
<b>EXPENDITURES</b>				
Current:				
Legislative	36,666			
General government	83,580			
Public safety	81,191			
Public works	6,603			
Community/economic				
development	27,861			
Parks &				
recreation	2,794			
Capital outlay	<u>7,717</u>			
Total				
expenditures	<u>246,412</u>			
Excess (deficiency)				
of revenues				
over (under)				
expenditures	<u>( 82,689)</u>	<u>35,508</u>	<u>35,591</u>	<u>35,395</u>
<b>OTHER FINANCING</b>				
<b>SOURCES (USES)</b>				
Special item	( 37,619)			
Transfers in(out)	<u>111,019</u>	<u>(26,728)</u>	<u>(36,137)</u>	<u>(35,394)</u>
Total other				
financing				
sources(uses)	<u>73,400</u>	<u>(26,728)</u>	<u>(36,137)</u>	<u>(35,394)</u>
Net changes in				
fund balances	( 9,289)	8,780	( 546)	1
Fund balances-beg.	<u>136,932</u>	<u>15,030</u>	<u>22,064</u>	<u>34</u>
Fund balances-end.	<u>\$ 127,643</u>	<u>\$ 23,810</u>	<u>\$ 21,518</u>	<u>\$ 35</u>

See notes to financial statements

Other Governmental Funds	Total Governmental Funds
--------------------------------	--------------------------------

\$	\$ 151,639
	17,989
	81,212

	6,660
	2,000
123	3,010
	6,025
<u>1,400</u>	<u>3,205</u>

<u>1,523</u>	<u>271,740</u>
--------------	----------------

	36,666
	83,580
	81,191
	6,603
	27,861
	2,794
<u>          </u>	<u>7,717</u>
<u>          </u>	<u>246,412</u>

<u>1,523</u>	<u>25,328</u>
--------------	---------------

<u>( 12,760)</u>	<u>( 37,619)</u>
------------------	------------------

<u>( 12,760)</u>	<u>( 37,619)</u>
------------------	------------------

( 11,237)	( 12,291)
14,224	188,284
<u>\$ 2,987</u>	<u>\$ 175,993</u>

Fife Lake Township  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balance of Governmental Funds  
To the Statement of Activities  
For the Year Ended June 30, 2005

Amounts reported for governmental activities in the  
statement of activities are different because:

Total net change in fund balances - total governmental funds	\$( 12,291)
---	-------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	<u>( 17,509)</u>
---	------------------

Change in net assets of governmental activities	<u><u>\$( 29,800)</u></u>
---	---------------------------

See notes to financial statements

**Fife Lake Township**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**-Budget and Actual**  
**For the Year Ended June 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Property taxes and related fees	\$ 3,500	\$ 3,500	\$ 45,646	\$ 42,146
Licenses & permits	8,000	8,000	17,989	9,989
State aid	78,500	78,500	81,212	2,712
Contributions from local units	100	100	6,660	6,560
Charges for services	1,800	1,800	2,000	200
Interest earnings	1,000	1,000	2,386	1,386
Rents	8,000	8,000	6,025	( 1,975)
Miscellaneous	<u>1,050</u>	<u>1,050</u>	<u>1,805</u>	<u>755</u>
Total revenues	<u>101,950</u>	<u>101,950</u>	<u>163,723</u>	<u>61,773</u>
<b>EXPENDITURES</b>				
Current:				
Legislative:				
Township board	<u>37,050</u>	<u>37,050</u>	<u>36,666</u>	<u>384</u>
General government:				
Supervisor	8,600	8,600	8,572	28
Elections	6,000	6,000	5,678	322
Assessor	16,700	16,700	16,577	123
Legal	10,000	10,000	7,846	2,154
Audit & accounting	5,500	5,500	5,281	219
Clerk	11,500	11,500	11,320	180
Board of review	850	850	375	475
Treasurer	13,050	13,050	12,806	244
Building & grounds	16,000	16,000	8,570	7,430
Cemetery	<u>18,000</u>	<u>18,000</u>	<u>6,555</u>	<u>11,445</u>
Total general government	<u>106,200</u>	<u>106,200</u>	<u>83,580</u>	<u>22,620</u>

Fife Lake Township  
Statement of Revenues, Expenditures and Changes in Fund Balance  
-Budget and Actual  
For the Year Ended June 30, 2005  
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
<b>EXPENDITURES</b>				
<b>(CONTINUED):</b>				
Current:				
Public safety:				
Fire protection	6,500	6,500	41,881	( 35,381)
Police			39,310	( 39,310)
Total public safety	<u>6,500</u>	<u>6,500</u>	<u>81,191</u>	<u>( 74,691)</u>
Public works:				
Roads maintenance	8,000	8,000	6,603	1,397
Total public works	<u>8,000</u>	<u>8,000</u>	<u>6,603</u>	<u>1,397</u>
Community/Economic development:				
Planning commission	6,000	6,000	6,092	( 92)
Zoning administrator	4,500	4,500	21,539	( 17,039)
Zoning board of appeals			230	( 230)
Total community/economic development	<u>10,500</u>	<u>10,500</u>	<u>27,861</u>	<u>( 17,361)</u>
Recreation & culture:				
Parks & recreation	3,500	3,500	1,544	1,956
Library	25,000	25,000		25,000
Historical society	500	500	500	
Contributions	1,500	1,500	750	750
Total recreation & culture	<u>30,500</u>	<u>30,500</u>	<u>2,794</u>	<u>27,706</u>
Capital outlay	<u>15,000</u>	<u>15,000</u>	<u>7,717</u>	<u>7,283</u>

Fife Lake Township  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
-Budget and Actual  
For the Year Ended June 30, 2005  
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Total expenditures	<u>213,750</u>	<u>213,750</u>	<u>246,412</u>	<u>( 32,662)</u>
Excess(deficiency) of revenues over (under) over expenditures	<u>(111,800)</u>	<u>(111,800)</u>	<u>( 82,689)</u>	<u>29,111</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Speical item			<u>( 37,619)</u>	<u>( 37,619)</u>
Transfer in			<u>111,019</u>	<u>111,019</u>
Total other financing sources(uses)			<u>73,400</u>	<u>73,400</u>
Net changes in fund balances	<u>(111,800)</u>	<u>(111,800)</u>	<u>( 9,289)</u>	<u>102,511</u>
Fund balances- beginning	<u>147,200</u>	<u>147,200</u>	<u>136,932</u>	<u>( 10,268)</u>
Fund balances- ending	<u>\$ 35,400</u>	<u>\$ 35,400</u>	<u>\$127,643</u>	<u>\$ 92,243</u>

See notes to financial statements

Fife Lake Township  
Statement of Fiduciary Funds  
Fiduciary Funds  
June 30, 2005

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>235</u>
Total assets	<u>235</u>
<b>LIABILITIES</b>	
Due to other funds	<u>235</u>
<b>NET ASSETS</b>	
Held in trust for other purposes	<u>\$</u>

See notes to financial statements

Fife Lake Township  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Year Ended June 30, 2005

	<u>Agency Fund</u>
<b>ADDITIONS</b>	
Property tax collections, special assessments and fees	\$1,150,294
Interest earnings	<u>567</u>
Total additions	<u>1,150,861</u>
<b>DEDUCTIONS</b>	
Payments to other funds	151,639
Payments to other governmental units	<u>999,222</u>
Total deductions	<u>1,150,861</u>
Changes in net assets	
Net assets - beginning	<u>          </u>
Net assets - ending	<u><u>\$          </u></u>

See notes to financial statements

**Fife Lake Township**  
**Notes to the Financial Statements**  
**June 30, 2005**

**I. Summary of significant accounting policies**

The financial statements of Fife Lake Township (the Township) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

**A. Reporting entity**

The Township is governed by an elected five-member board. The accompanying financial statements present the Township's operations for which the government is considered to be financially accountable. The Township has one component unit, the Fife Lake Fire Department, that is not included in these financial statements. The Township is not responsible for any jointly governed organizations.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Township does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major

individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when a payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Real property taxes not collected as of March 1st are turned over to Grand Traverse County, which advances the Township 100% for the delinquent taxes.

The 2004 taxable valuation of the Township totaled \$38,060,240, on which ad valorem taxes levied consisted of .8745 mills for Township operating purposes. This amount is recognized in the General Fund as current tax revenue as well as administrative fees of \$9,354 to collect the taxes and applicable interest.

The Township also levies .9517 mills each for Township police, fire, and ambulance purposes and are reported in the police, fire, and ambulance funds.

The Township reports the following major governmental funds:

The *general fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *police fund* is a special revenue fund that accounts for the collection of a tax levy for police protection from the Grand Traverse County sheriff department.

The *fire fund* is a special revenue fund that accounts for the collection of a tax levy for fire protection.

The *ambulance fund* is a special revenue fund that accounts for the collection of a tax levy for ambulance services.

Additionally, the government reports the following fund types:

The *cemetery, road, and building code funds* are special revenue funds.

The Township reports the following fiduciary funds:

These funds are used to account for assets held in trust or as an agent for others. The Township has one fiduciary fund as follows:

Agency Fund

Agency funds are purely custodial in nature (assets equal liabilities) and thus, do not involve measurement of results of operations. The *tax collection fund* is an agency fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as *program revenues* include 1) charges to

customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted sources first, then unrestricted resources as they are needed.

#### **D. Assets, liabilities, and net assets**

##### **1. Deposits and investments**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

##### **2. Short-term interfund receivables/payable**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet in the governmental fund financial statements.

##### **3. Receivables and payables**

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are

considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

#### **4. Prepaid items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### **5. Capital assets**

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment of the Township is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	40
Fire equipment	15
Office furniture and equipment	5
Cemetery improvements	10

#### **6. Compensated absences**

The Township does not have a compensated absence policy.

#### **7. Long-term obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

In the fund financial statements, governmental fund types, recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The Township does not have any long-term debt.

## **8. Fund balance**

In the fund financial statements, governmental funds report the reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **9. Use of estimates**

The process of preparing general purpose financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

# **II. Stewardship, compliance, and accountability**

## **A. Budgetary information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Supervisor submits to the Township Board a proposed budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by the Township Board as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so

that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.

4. The Supervisor is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund. Budgets were not adopted for the special revenue funds.
6. The budget as presented, has not been amended. Supplemental appropriations were made during the year with the last one approved prior to July 1st.

**B. Excess of expenditures over appropriations**

For the year ended June 30, 2005, expenditures exceeded appropriations in the activities of fire, police, planning commission, zoning administrator, and zoning board of appeals (the legal level of budgetary control) of the general fund by \$35,381, \$39,310, \$92, \$17,039, and \$230, respectively. These overexpenditures were funded by the available fund balance in the general fund.

**III. Detailed notes on all funds**

**A. Deposits and investments**

At year-end, the carrying amount of the Township's deposits were \$180,985 and the bank balance was \$193,642, of which \$193,642 was covered by federal depository insurance.

## B. Capital assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land & improvements	\$ 61,000	\$	\$	\$ 61,000
Capital assets, being depreciated:				
Buildings & improvements	182,745	5,147		187,892
Fire equipment	146,942			146,942
Cemetery improvements	23,185	2,570		25,755
Office equipment	38,857			38,857
Total capital assets being depreciated	391,729	7,717		399,446
Less accumulated depreciation for:				
Buildings & improvements	( 91,373)	( 5,083)		( 96,456)
Fire equipment	( 68,573)	( 9,796)		( 78,369)
Cemetery improvements	( 9,786)	( 2,575)		( 12,361)
Office equipment	( 15,543)	( 7,772)		( 23,315)
Total accumulated depreciation	(185,275)	( 25,226)		(210,501)
Total capital assets, being depreciated, net	206,454	( 17,509)		188,945
Governmental activities capital assets, net	<u>\$ 267,454</u>	<u>\$ ( 17,509)</u>	<u>\$</u>	<u>\$ 249,945</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	\$ 14,916
Public safety	10,310
Total depreciation expense-governmental activities	<u>\$ 25,226</u>

## C. Interfund receivables, payables, and transfers

### Interfund transfers:

Transfer out:	<u>Transfer In:</u>		
	<u>General Fund</u>	<u>Nonmajor Govern'l</u>	<u>Total</u>
General fund	\$	\$ 9	\$ 9
Police fund	26,728		26,728
Fire fund	36,137		36,137
Ambulance fund	35,394		35,394
Cemetery fund	6,550		6,550
Road fund	<u>6,219</u>		<u>6,219</u>
Total transfer out	<u>\$111,028</u>	<u>\$ 9</u>	<u>\$ 111,037</u>

The composition of interfund balances as of June 30, 2005, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Agency fund	<u>\$ 235</u>

## IV. Other information

### A. Risk management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and employee injuries (workers compensation). The Township was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Township joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The Township pays an annual premium to the pool for its general insurance coverage.

The Township has purchased commercial insurance for all other risks of loss. Settlements claims have not exceeded coverages for each of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Township is unable to provide an estimate of the amounts of additional assessments.

**B. Pension plan**

The Township does not have a pension plan.

**C. Implementation of new accounting standard**

As of and for the year ended June 30, 2005, the Township implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a governments' major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

**D. Special item**

There was a material difference between the unaudited fund balance as of June 30, 2004 and audited fund balance as of June 30, 2005 of \$37,619.

## Nonmajor Governmental Funds

### Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

*Cemetery Fund* - This fund was created to collect monies from cemetery lot sales.

*Road Fund* - This fund collects donations for the purpose of road improvements, but will be closed after the year end.

*Building Code Fund* - This was created to collect monies from charges for fees from building code charges.

Fife Lake Township  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2005

	<u>Special Revenue</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Cemetery</u>	<u>Road</u>	<u>Building Code</u>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,466	\$ 16	\$ 1,505	\$ 2,987
Total assets	<u>\$ 1,466</u>	<u>\$ 16</u>	<u>\$ 1,505</u>	<u>\$ 2,987</u>
<b>FUND BALANCES</b>				
Unreserved, designated	<u>1,466</u>	<u>16</u>	<u>1,505</u>	<u>2,987</u>
Total fund balances	<u>\$ 1,466</u>	<u>\$ 16</u>	<u>\$ 1,505</u>	<u>\$ 2,987</u>

See notes to financial statements

Fife Lake Township  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2005

	<u>Special Revenue</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Cemetery</u>	<u>Road</u>	<u>Building Code</u>	
<b>REVENUES</b>				
Interest earnings	\$ 57	\$ 59	\$ 7	\$ 123
Sale of lots	<u>1,400</u>	<u></u>	<u></u>	<u>1,400</u>
Total revenues	<u>1,457</u>	<u>59</u>	<u>7</u>	<u>1,523</u>
<b>EXPENDITURES</b>				
Current:				
Public works	<u></u>	<u></u>	<u></u>	<u></u>
Total expenditures	<u></u>	<u></u>	<u></u>	<u></u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,457</u>	<u>59</u>	<u>7</u>	<u>1,523</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in			9	9
Transfers (out):				
General fund	<u>( 6,550)</u>	<u>(6,219)</u>	<u></u>	<u>(12,769)</u>
Total other financing sources (uses)	<u>6,550</u>	<u>(6,219)</u>	<u>9</u>	<u>(12,760)</u>
Net change in fund balances	<u>( 5,093)</u>	<u>(6,160)</u>	<u>16</u>	<u>(11,237)</u>
Fund balances- beginning	<u>6,559</u>	<u>6,176</u>	<u>1,489</u>	<u>14,224</u>
Fund balances- ending	<u>\$ 1,466</u>	<u>\$ 16</u>	<u>\$ 1,505</u>	<u>\$ 2,987</u>

See notes to financial statements

COMMENTS AND RECOMMENDATIONS

Members of the Township Board  
Fife Lake Township  
Grand Traverse County, Michigan

My examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

The following comment and recommendation is based on observations made during the course of our examination for the year ended June 30, 2005:

#### **Board Approval of Invoices**

The Township Board currently approves a list of invoices at the monthly board meetings.

I recommend that checks should be prepared before Board meetings and a check register of invoices to be paid along with the invoices be presented for approval at the Board meetings.

#### **Chart of Accounts**

The Township is not using the chart of accounts required by the Michigan Department of Treasury's Uniform Chart of Accounts for Counties and Local Units of Government in Michigan as developed under the authority of Act 2, Public Acts of 1968, as amended, (MCL 141.421) and Act 71, Public Acts of 1919, as amended, (MCL 21.41).

I recommend the Township obtain the Uniform Chart of Accounts and begin using it.

Comments and Recommendations Letter  
Fife Lake Township  
Page Two

#### **Budgets for Special Revenue Funds**

The Township currently prepares a budget for the general fund, but not the special revenue funds.

I recommend that the Township also prepare budgets for the police, fire, ambulance, cemetery, road, and building code funds.

#### **Accounting Records**

Although the Township inputs the accounting information into quickbooks software, the output was not adequate for an audit trail. There was not a proper cash disbursements journal, cash receipts journal, trial balance, or general ledger. The trial balance was out of balance by \$37,619. This difference was recorded in the audit report as a "special item" expenditure.

I recommend that either the Township change to a different software package or begin keeping the accounting recordkeeping the old fashion way, by preparing ledgers by hand.

#### **Annual Audits**

Currently the Township has an audit performed every other year.

I strongly urge the Township to have an audit performed every year until it can be demonstrated that a proper accounting system is in place.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management, the Township Board, and the Michigan Department of Treasury and should not be used for any other purpose.

*Gary E. Tardiff, CPA, PC*

December 27, 2005